DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: Original
POSITION: Neutral

BILL NUMBER: AB 1176
AUTHOR: T. Ammiano

BILL SUMMARY: Infrastructure Financing Districts: San Francisco

Existing law authorizes the City and County of San Francisco to create an infrastructure financing district (IFD) that includes specified waterfront property on land that is under the jurisdiction of the Port of San Francisco. This bill would modify the existing procedures for adopting an infrastructure financing plan for the IFD and for issuing bonds financed by projected increases in property taxes. The bill also would clarify that the IFD need not contribute to the county's Educational Revenue Augmentation Fund (ERAF).

FISCAL SUMMARY

Finance estimates this bill would have a minimal Proposition 98 General Fund impact. Existing law is unclear on whether IFDs must contribute to the ERAF, and Finance understands that none do so.

We understand the IFD in question has not yet generated a positive tax increment cash flow. When a positive tax increment cash flow is generated, the bill's provisions would exempt it from contributing to the county ERAF, which could result in an unquantifiable future ERAF revenue loss. It is possible, however, this revenue loss will be offset to a similarly unquantifiable extent by increased property tax revenues associated with properties located near the revitalized waterfront area, a share of which would accrue to K-14 schools and the county ERAF.

COMMENTS

Finance notes the following regarding this bill:

- This bill may help expedite the revitalization of the waterfront near the Port of San Francisco. The bill would have a presently unquantifiable, though likely minimal, impact on the state's Proposition 98 General Fund obligation.

Analyst/Principal	Date	Program Budget Manager	Date
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Governor's Office:	By:	Date:	Position Approved_______
			Position Disapproved

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ANALYSIS

A. Programmatic Analysis

Under existing law cities and counties are authorized to create IFDs, adopt infrastructure financing plans for those districts, and issue bonds financed by projected increases in property taxes, otherwise referred to as property tax increment, to fund specified public works projects that include highways, parks, waste facilities, and water systems. Existing law allows an IFD to divert property tax increment revenues from other local governments, excluding school districts, for up to 30 years, in order to pay back bonds issued by the IFD.

Chapter 213, Statutes of 2005 (SB 1085, Migden), provided changes to the IFD law applicable only to the City and County of San Francisco that enabled the financing of public infrastructure improvements to specified waterfront properties. Chapter 213 included provisions that:

- Waived the requirement for voter approval of the IFD if all the land within the proposed IFD is owned by a public agency.
- Expanded the definition of IFD debt to include commercial paper and variable rate demand loans.
- Provided that an IFD in the City and County of San Francisco may extend the diversion of property tax increment revenues up to 10 additional years if local officials amend the IFD plan.
- Specifies that existing law does not prohibit forming IFDs on urban waterfront property or prohibit financing public infrastructure projects on public trust lands.
- Allowed additional categories of IFD-eligible financing work to include environmental and hazardous material remediation, seismic and life-safety improvements, storm water management facilities, public access improvements, and other utility infrastructure.

This bill would repeal those existing procedures and reenact modified procedures for adopting an infrastructure financing plan for the IFD and for issuing bonds financed by projected increases in property taxes. We understand the purpose of these modifications is primarily to provide IFDs that include specified waterfront properties and to allocate projected increases in ad valorem property taxes to specified annual apportionments. The bill also would specify that the Pier 70 IFD need not make payments to the county ERAF. We note existing law is ambiguous on whether IFDs are required to submit payments to the ERAF, and that the San Francisco waterfront IFD is not currently making ERAF payments both because of this ambiguity, and because the IFD is not currently generating positive tax increment cash flows.

In addition, the bill would:

- Declare that sections of San Francisco's waterfront and adjacent trust properties are blighted and therefore require the use of public financing. Per existing law, the IFD's authority would be limited only to publicly owned property, although an opt-in provision is included for private property owners.
- Allow the San Francisco waterfront IFD to receive property tax increment revenue for 45 years, as opposed to the standard 30 years.

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- Require the San Francisco IFD's plan to include specified descriptive and financial information and a set aside of at least 20 percent of its property tax increment revenue to be spent for shoreline restoration, removal of bay fill, or waterfront public access, or environmental remediation.

- Prohibits the San Francisco Board of Supervisors from diverting property tax increment revenues from another taxing jurisdiction without that jurisdiction's approval unless the taxing jurisdiction fails to respond within 60 days.

- Adds, for the purposes of the San Francisco IFD, five more examples to the statutory list of activities whose costs are eligible to be covered by an IFD:

  - Seismic and life-safety improvements.
  - Landmark rehabilitation.
  - Structural work on piers, seawalls, and wharves.
  - Hazardous material remediation.
  - Construction of storm water management facilities, other utility infrastructure, and public access improvements.

B. Fiscal Analysis

This bill would have a minimal Proposition 98 General Fund impact. Existing law is unclear on whether IFDs must contribute to the ERAF, and Finance understands that none do so contribute.

The IFD in question has not yet generated a positive tax increment cash flow. When the IFD does eventually generate a positive tax increment cash flow, the bill's provisions would exempt it from contributing to the county ERAF, which could result in an unquantifiable future ERAF revenue loss. It is possible this revenue loss will be offset to a similarly unquantifiable extent by increased property tax revenues associated with properties located near the revitalized waterfront area, a share of which would accrue to K-14 schools and the county ERAF.

Code/Department Agency or Revenue Type	SO LA CO RV	PROP 98	FC	(Fiscal Impact by Fiscal Year) (Dollars in Thousands) 2009-2010	FC	2010-2011	FC	2011-2012	Fund Code
0001/Major Rev	SO	Yes		-------------------- See Fiscal Analysis ---------------------					0001